

CITY OF TAMA, IOWA
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

CITY OF TAMA, IOWA
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CITY OF TAMA, IOWA
OFFICIALS
June 30, 2013

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dan Zimmerman	Mayor	January, 2016
Robert Tyynismaa	Council Member	January, 2014
Steve Baier	Council Member	January, 2016
Mike Carnahan	Council Member	January, 2014
Kenny McAdoo	Council Member	January, 2016
Crystal Kaufman	Council Member	January, 2016
Judy Welch	City Clerk	Appointed
Dan Rathjen	City Attorney	Appointed

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Tama's Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

To the Honorable Mayor and
Members of the City Council

Opinions

In our opinion, the financial statements referred to above present fairly in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Tama's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the six years ended June 30, 2009 (none of which are presented herein), were audited by other auditors whose report expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements.

The supplementary information included in page 1 and pages 23 through 31, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 5h and 21 through 22 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and
Members of the City Council

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2013 on our consideration of the City of Tama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Tama's internal control over financial reporting and compliance.

Gmelwold, Bell, Kyhn & Co., P.C.

Atlantic, Iowa
December 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tama provides this Management's Discussion and Analysis (MD&A) of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements and notes that follow. It should be noted that the information contained here will provide information on both the governmental operations and the business type activities of the City.

2013 FINANCIAL HIGHLIGHTS

- FY 2013 overall revenues increased by 52.2% or \$1,430,292 from the previous year. The City was provided grant funds for rehab housing projects, energy improvements, foundation grants, and re-issuing pool bonds.
- Overall total disbursements increased by 37.5% or \$1,208,648 from FY 2012. Again, due to rehab housing projects, energy improvements, foundation grant expenditures and re-issuing pool bonds.
- The City's total cash basis net position decreased 7.4% or \$265,899 from June 30, 2012 to June 30, 2013. Of this amount the net position of governmental activities decreased by \$269,313 or 8.8% and the net position of business type activities increased \$3,414 or .7%.
- Fiscal Year 2013 saw improvements to the cemetery road, purchasing an end loader, police vehicle, school energy maintenance grant project and rehab housing projects.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statement tells how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other supplementary information provides detailed information about the non-major governmental funds.

BASIS OF ACCOUNTING

The City of Tama maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

The Cash Basis Statement of Activities and Net Position informs the reader of how the City is performing financially as a result of the year's activities. Over time increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service and Capital Projects. Property tax, State and Federal grants, investment interest and charges for services finance most of these activities.
- Business Type Activities include the Water and Sewer. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds which includes Road Use Tax; Urban Renewal Tax Increment and Trust and Agency, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. For the City of Tama this includes the Water and Sewer Funds, which are considered two major funds. The Sewer Fund includes funding for Sewer Rehabilitation, Sewer Replacement, and the Sewer Revenue Bond Fund. The Water Fund includes the Water Revenue Bond.

The required financial statement for the proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
Receipts:				
Property Tax	\$ 911,372	\$ 851,460	\$ 810,706	\$ 796,693
Tax Increment Financing	240	9,800	--	280
Other City Tax	28,654	26,382	24,913	27,699
Local Option Tax	209,815	152,394	167,427	164,157
Use of Money and Property	34,758	40,330	76,727	98,575
Licenses and Permits	19,993	21,399	22,470	21,432
Intergovernmental	730,294	393,496	747,994	436,193
Charges for Service	340,821	343,635	278,591	305,211
Miscellaneous	151,271	135,543	150,832	126,244
Total Receipts	<u>2,427,218</u>	<u>1,974,439</u>	<u>2,279,660</u>	<u>1,976,484</u>
Disbursements:				
Public Safety	826,533	710,605	661,424	662,443
Public Work	567,921	557,856	446,472	462,054
Health and Social Services	1,771	5,155	8,013	5,918
Culture and Recreation	288,261	285,554	233,054	231,711
Community and Economic Development	532,168	57,421	34,246	13,952
General Government	167,560	156,333	149,633	145,019
Debt Service	1,232,405	255,354	256,101	256,496
Capital Projects	58,682	475,411	222,939	258,189
Total Disbursements	<u>3,675,301</u>	<u>2,503,689</u>	<u>2,011,882</u>	<u>2,035,782</u>
Other Financing Sources:				
Proceeds from Debt	975,000	--	--	--
Sales of Assets	10,000	--	--	930
Transfers, net	<u>(6,230)</u>	<u>--</u>	<u>--</u>	<u>9,404</u>
Change in Cash Basis Net Position	(269,313)	(529,250)	267,778	(48,964)
Cash Basis Net Position Beginning of Year	<u>3,073,454</u>	<u>3,602,704</u>	<u>3,334,926</u>	<u>3,383,890</u>
Cash Basis Net Position End of Year	<u>\$2,804,141</u>	<u>\$3,073,454</u>	<u>\$3,602,704</u>	<u>\$3,334,926</u>

The City's total receipts for governmental activities increased by 72.8% or \$1,437,779 from FY 2012 to FY 2013. Increases basically came from state and federal funding for grant projects and the re-issue of the pool bond.

IPERS reimbursed the city for an over payment of police benefits concerning police reserves in the amount of \$13,248.

We note that the fire and ambulance contracts are down this year due to one of our fire/ambulance entity contracts not paying their bill until after the end of the fiscal year.

Local Option Sales Tax (LOST) receipts of \$209,815 supported the Aquatic Center operation, bonds and interest. There was an increase of \$37,047 of LOST funds from FY 2012 to FY 2013. Bonds and interest for the fiscal year were \$118,768 pool operation supported by the city came to \$54,000 for a total of \$172,768. The additional receipts will be held for future receipt shortfalls or major pool expenditures.

The city received Tax Increment Financing (TIF) for FY 2013 of \$240 for prior year downtown projects. The city certified TIF debt for FY 2013 downtown improvements in the form of grants to businesses and downtown landscaping in the amount of \$13,787.

Road Use Tax (RUT) receipts increased \$2,633 in FY 2013 in the amount of \$275,520. This revenue is generated from motor vehicle registration, fees, fuel taxes at the state level.

The total disbursements for all programs and services for governmental activities increased by 46.8% or \$1,171,612 from the FY 2012 disbursements.

The city is still supporting high work comp rates along with the city's share of a rehab housing project.

Other areas of increased expenditures included:

Public Safety: The Police department expenditures increased in FY 2013. We purchased a new police vehicle along with radio equipment in the amount of \$43,534. The City also sent a police officer to school in the amount of \$8,000.

The Ambulance department increases included work comp insurance in the amount of \$11,342. The Ambulance department purchased a new chassis in the amount of \$38,000. The module for the chassis will be purchased in FY 2014. Funds for the new ambulance come from \$50.00 being set aside from each ambulance bill paid by insurance or Medicare.

Public Works - The Street department decreased \$7,439. We did not purchase an excavator this year even though salaries and insurance increased but not enough to offset the large purchase like the excavator of FY2012.

The City contracts with the City of Traer to do our mosquito spraying. The City of Traer bills the city the year after the summer of spraying. This fiscal year the expense for spraying decreased \$3,384 due to a dry season in 2012.

Road Use Tax disbursements increased \$17,510. An end loader was purchased at a cost of \$87,000. Half the cost of the end loader (\$43,500) was taken from RUT the other half will be noted in Business Activities.

Culture and Recreation - The City of Tama spent the second round of expense to resurface the Oak Hill Cemetery road in the amount of \$25,000.

The Cemetery Association took on a project to re-construct the veteran's memorial at the park. Donations from many sources provided the total cost of the project of \$5,500. The city also received a grant from the Northeast Iowa Community Foundation for \$2,700 to purchase new flags to be placed at each veteran's gravesite for Memorial Day.

The 150th Celebration was held in July 2012 with rain dampening the celebration, however the fireworks were outstanding. The city spent \$8,000 for advertising and entertainment in FY 2013 all other expenses were discussed in the MD&A report of FY 2012.

The City's Library department increased their expenditures by \$10,479. Work Comp insurance, part-time salaries and books were the cause for the increase.

The Northeast Iowa Community Foundation Grant awarded the city \$4,000 for playground equipment at our 3rd Street Park. The city purchased a rock wall.

Community and Economic Development - The city received a Community Block Grant of \$343,990 for the rehabilitation of ten homes. Region 6 Council of Governments administered the program with 9 homes being completed in FY 2013 in the amount of \$219,612, the city's share of this grant was for FY 2013 was \$12,734. In FY 2012 the city's share was \$4,715 and in FY 2014 the city's share to finalize the projects will be \$12,729 for a total of \$30,178.

Grant funds in the amount of \$157,361 were received for the South Tama School District for energy efficient lighting and heating for the high school. The City was the pass through for this grant project executed by Iowa Economic Development Authority.

Capital Projects: Capital projects expenditures decreased \$416,729. In FY 2012 the city did a major street project. Fiscal year 2013 expenses included a shed for the police department in the amount of \$24,000. The City helped fund the local Tama Toledo Chamber Secretary in the amount of \$5,000 and also provided \$5,000 to the local Wieting Theater for their complete renovation of the building.

Tax askings for FY 2013 were \$17.26 increasing taxes by \$.85. Other fiscal years the taxes were as follows: FY 2012 - \$16.41; FY 2011 - \$15.90; FY 2010 - \$15.84; FY 2009 - \$15.77; and FY 2008 - \$15.77. Taxable Valuation increased \$1,096,622. In FY 2012 \$251,882 of taxable valuation was used on Tax Increment Financing. You will find no Tax Increment Financing was used for FY 2013.

BUSINESS TYPE ACTIVITIES - FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash net position for business type activities.

Changes in Cash Basis Net Position of Business Type Activities

	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
Receipts:				
Charges for Services:				
Water	\$ 257,731	\$ 242,695	\$ 255,447	\$ 247,105
Water Rev Bond	38,817	51,660	36,800	25,761
Water Proceeds from Debt	--	--	791,142	318,858
Sewer	281,889	227,254	227,527	216,417
Sewer Rev Bond	107,541	141,336	140,100	137,452
Operating Grants, Contributions, Interest	2,458	3,282	7,564	9,356
Other General Receipts	37,513	50,016	50,016	50,016
Miscellaneous	<u>29,527</u>	<u>46,720</u>	<u>28,674</u>	<u>37,031</u>
Total Receipts	<u>755,476</u>	<u>762,963</u>	<u>1,537,270</u>	<u>1,041,996</u>
Disbursements:				
Water	297,499	260,331	263,387	241,922
Water Project	--	--	796,758	309,454
Water Rev Bond	51,750	51,660	44,623	2,369
Sewer	265,655	267,943	281,047	314,236
Sewer Rev Bond	<u>143,388</u>	<u>141,322</u>	<u>140,104</u>	<u>137,703</u>
Total Disbursements	<u>758,292</u>	<u>721,256</u>	<u>1,525,919</u>	<u>1,005,684</u>
Change in Cash Basis Net Position Before Transfers	(2,816)	41,707	11,351	36,312
Transfers, net	<u>6,230</u>	<u>--</u>	<u>--</u>	<u>(9,404)</u>
Change in Cash Basis Net Position	3,414	41,707	11,351	26,908
Cash Basis Net Position Beginning of Year	<u>499,916</u>	<u>458,209</u>	<u>446,858</u>	<u>419,950</u>
Cash Basis Net Position End of Year	<u>\$ 503,330</u>	<u>\$ 499,916</u>	<u>\$ 458,209</u>	<u>\$ 446,858</u>

The business type activities receipts for FY 2013 was \$755,476 compared to \$762,963 in FY 2012. A decrease of \$7,487. In FY 2012 the city received funds for sludge removal from Veolia Water, our former contractor who ran the water and sewer departments. Now the City of Tama manages the water and sewer utilities.

July 1, 2012 sewer rates were increased by 2% as stated in the city code to \$4.90 per 1,000 gallons based from water consumption and \$10.40 for the base rate; an increase of \$11,362. This increase not only includes revenue from the rate increase but from a rendering plant using the city sewer and being charged an industrial rate.

July 1, 2012 water rates also increased by 2% to \$12.91 for the first 2,000 gallons and \$2.41 per 1,000 gallons. An increase of \$5,302.

Receipts for the water revenue bond, sewer revenue bond, sewer rehabilitation and sewer replacement remained approximately the same.

Disbursements in FY 2013 totaled \$758,292 where disbursements of FY 2012 were \$721,256 an increase of \$37,036. This increase is from the purchase of an end loader that both the sewer and water departments paid for half of the cost. The city also started repairing water valves that had not been maintained in over 15 years. This will be an ongoing project in years to come.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Tama completed the year; its governmental funds reported a combined fund balance of \$2,804,141 a decrease of \$269,313 from FY 2012 balance of \$3,073,454. The following are the main reasons for the changes in fund balances of major funds.

Ending cash balances for the General Fund decreased \$231,358. This is a significant decrease for the general fund. The city provided \$25,000 for repairing the cemetery road which came from the cash balance. The city was placed on high work comp insurance coverage due to a number of work injuries. Also the city's health insurance premium increased approximately 10%. This caused additional premiums to be taken out of the cash balances in the amount of approximately \$55,704. The city also loaned or provided grants to downtown businesses in the amount of \$85,775. These funds will be repaid in 10 year loans with interest or the grants will be reimbursed through tax increment financing.

Road Use Tax cash funds decreased \$15,416 for FY 2013. Even though the state road use tax increased by \$16,343 the city purchased an end loader which half of the cost was expended from road use tax. The city also disbursed funds for additional sand; salt and road gravel in the amount of \$16,070. The City was granted funds through the Iowa Department of Transportation to replace the 9th Street Bridge. Engineering work had started in FY 2013 with the city paying the first stage of engineering cost of \$17,000. Total bridge replacement is estimated at \$525,000. State and Federal grants will pay 80% of the cost. The city will be setting aside \$30,000 for the next three years to pay for the city's share of the project.

The Capital Project cash funds includes cash balances from Capital Projects, Capital Projects-Community Development, Capital Reserves, Water Projects, and the Aquatic Center Fund. FY 2013 total ending balance - \$1,850,880. \$1,899,911 was the beginning balance for the fiscal year; a decrease of \$49,031. Even with the selling of city real estate of \$10,000 for a new home, the city expended funds for a new police shed, computer software and a donation to the local theatre renovation and transferring funds to the general fund to pay for a new police vehicle of \$39,600.

Cash balances for the Trust and Agency Fund indicated a decrease of \$8,925. The city purchased an ambulance chassis in the amount of \$38,000 out of ambulance donation funds. The Trust and Agency Fund includes Police, Fire, Library, Ambulance, Cemetery and Administration savings from donations and special revenue.

The City's Employee Benefit Fund is used not only for employee benefits in the general fund but for partial self-funding of health insurance. We leave a \$17,000 cash balance in the employee benefits fund. If there is any additional cash balance it is transferred to the general fund to be used for employee benefits expenses.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balances decreased \$19,939 (FY-2013 -\$278,651 and FY 2012 - \$298,621). This year the city repaired water valves which needed to be repaired for some time. Also, the water fund provided funds for a fourth of the cost of an end loader.

The Sewer Fund cash balance increased \$23,353. We find that the city did not repair or replace sewer mains or equipment providing the additional balance. The city was approved for a Community Development Block Grant in the amount of \$600,000 for sewer improvements. The city will have to match the funding. The city's sewer revenue bond will be paid in full in FY 2014 making it feasible to bond again for our share of the CDBG project. The city has talked about additional improvements to the lift station to increase our revenue bond asking. To have funds available to improve sewer mains the City deposits \$25,000 each year into the Sewer Rehabilitation Fund. The City also deposits \$25,000 each year to the Sewer Replacement Fund to support major projects in the replacement of sewer equipment.

BUDGETARY HIGHLIGHTS

On September 17, 2012 the City amended the budget to increase expenditures for equipment and projects that were funded by grants. This included housing projects, energy project for the high school, cemetery shelter roof, playground equipment. Expenditures increased \$616,231. Receipts were also amended increasing to \$525,725.

On April 15, 2013 the City again amended the budget to increase expenses by \$244,600 for work comp premium increases; downtown economic development loans, the veterans monument and new end loader. Receipts budget increase of \$18,024 came from memorial donations for the veterans monument, tax increment financing and revenue from the 150th celebration.

DEBT ADMINISTRATION

As of June 30, 2013, the City of Tama had \$2,766,000 in outstanding debt compared to \$3,040,000 at the end of June 2012. Moines generated from local option taxes will pay for the Aquatic Bond issues. In July of 2012 the city refinanced the Aquatic Bonds saving the city approximately \$102,565 over the life of the bonds. The actual savings will not be noted until FY 2015. The Aquatic Bond issue continues through FY 2024. The Sewer Revenue Bond issue will continue until June 2014. The G.O. Improvement bond issue will mature June of 2021. The Water Revenue Bond issue will continue until June 2030.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue up to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,955,000 is below the constitutional debt limit of \$4,590,860 for FY 2013.

Outstanding Debt As Of:

	2013	2012	2011	2010
Sewer Rev. Bond \$1,784,000 Issued December 1992	140,000	275,000	404,000	528,000
2004 A -Aquatic Bond \$1,165,000 Issued August 1, 2004	55,000	840,000	890,000	940,000
2004 B- Aquatic Bond \$300,000 Issued August 1, 2004	15,000	220,000	235,000	250,000
General Oblig. Bond \$1,500,000 Issued August 1, 2006	910,000	1,005,000	1,095,000	1,180,000
Water Rev. Bond \$755,000 Issued December 9, 2009*	671,000	700,000	728,000	836,000
G.O. Refunding Bonds Pool \$975,000 Issued July 1, 2012	975,000	--	--	--
	2,766,000	3,040,000	3,352,000	3,734,000

* The Debt amount changed project expended less than approved at the beginning of the project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In FY 2013 nine rehab homes were completed, one more than what we anticipated in FY 2012. This was such a successful project the city is again applying for another grant to rehab an additional eight owner occupied homes in another section of our city. The city council agreed to divide several lots in the Indian Hills Addition, owned by the city, to make larger lots for sale. In FY 2014 we hope to see some of these lots sold for new homes.

Several downtown antiques shops have opened during the year. FY 2014 hopes to bring additional downtown businesses. The city does offer incentives to owners of businesses such as grants to improve their facade or the interior of their building. Six months of water bills are also waived for new businesses owners. We have also loaned funds for business owners to upgrade their building which has proved beneficial.

A grant has been received for sewer improvements which we should see the bulk of the work done in FY 2014.

FY 2014 budget the property tax levy will be at \$17.64. This is an \$.38 increase from FY 2013. The tax increase indicates increases in employee benefits. Taxable valuation increased \$27,422,487.

CONTACTING THE CITY'S FINANCIAL DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any question about this report or need additional financial information contact the Tama City Clerk Judy Welch, 305 Siegel Street, Tama, Iowa 52339.

CITY OF TAMA, IOWA
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS

As of and for the year ended June 30, 2013

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 826,533	\$ 328,244	\$ 19,750
Public works	567,921	55,533	275,518
Health and social services	1,771	--	--
Culture and recreation	288,261	21,269	45,584
Community and economic development	532,168	2,213	404,304
General government	167,560	19,530	--
Debt service	1,232,405	--	--
Capital projects	58,682	--	--
Total governmental activities	<u>3,675,301</u>	<u>426,789</u>	<u>745,156</u>
Business type activities:			
Water	349,249	296,548	--
Sewer	409,043	426,943	--
Total business type activities	<u>758,292</u>	<u>723,491</u>	<u>--</u>
Total	<u>\$ 4,433,593</u>	<u>\$ 1,150,280</u>	<u>\$ 745,156</u>
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
Debt proceeds			
Miscellaneous			
Sale of assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$ (478,539)	\$ --	\$ (478,539)
--	(236,870)	--	(236,870)
--	(1,771)	--	(1,771)
--	(221,408)	--	(221,408)
--	(125,651)	--	(125,651)
--	(148,030)	--	(148,030)
--	(1,232,405)	--	(1,232,405)
--	(58,682)	--	(58,682)
--	(2,503,356)	--	(2,503,356)
--	--	(52,701)	(52,701)
--	--	17,900	17,900
--	--	(34,801)	(34,801)
<u>\$ --</u>	<u>(2,503,356)</u>	<u>(34,801)</u>	<u>(2,538,157)</u>
	800,148	--	800,148
	139,878	--	139,878
	240	--	240
	209,815	--	209,815
	34,758	2,458	37,216
	975,000	--	975,000
	70,434	29,527	99,961
	10,000	--	10,000
	(6,230)	6,230	--
	<u>2,234,043</u>	<u>38,215</u>	<u>2,272,258</u>
	(269,313)	3,414	(265,899)
	<u>3,073,454</u>	<u>499,916</u>	<u>3,573,370</u>
<u>\$</u>	<u>2,804,141</u>	<u>\$ 503,330</u>	<u>\$ 3,307,471</u>

CITY OF TAMA, IOWA
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS - Continued

As of and for the year ended June 30, 2013

		<u>Program Receipts</u>
		Operating Grants, Contributions, and Restricted
	<u>Disbursements</u>	<u>Charges for Service</u>
		<u>Interest</u>
Cash Basis Net Position		
Restricted:		
Nonexpendable:		
Cemetery perpetual care		
Expendable:		
Debt service		
Employee benefits		
Capital projects		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
	\$ 57,179	\$ --	\$ 57,179
	1,755	58,410	60,165
	17,005	--	17,005
	1,850,880	--	1,850,880
	389,588	--	389,588
	<u>487,734</u>	<u>444,920</u>	<u>932,654</u>
	<u>\$ 2,804,141</u>	<u>\$ 503,330</u>	<u>\$ 3,307,471</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2013

	<u>General</u>	<u>Debt Service</u>
Receipts:		
Property tax	\$ 484,893	\$ 135,604
Tax increment financing	--	--
Other city tax	15,209	4,274
Licenses and permits	19,993	--
Use of money and property	24,529	4
Intergovernmental	454,774	--
Charges for service	340,821	--
Miscellaneous	76,224	--
Total receipts	<u>1,416,443</u>	<u>139,882</u>
Disbursements:		
Operating:		
Public safety	784,300	--
Public works	271,316	--
Health and social services	1,771	--
Culture and recreation	263,476	--
Community and economic development	527,718	--
General government	166,819	--
Debt service	--	1,232,405
Capital projects	--	--
Total disbursements	<u>2,015,400</u>	<u>1,232,405</u>
Excess (deficiency) of receipts over (under) disbursements	(598,957)	(1,092,523)
Other financing sources (uses):		
Debt proceeds	--	975,000
Sale of real property	--	--
Operating transfers in	386,048	118,768
Operating transfers out	(18,449)	(1,694)
Total other financing sources (uses)	<u>367,599</u>	<u>1,092,074</u>
Net change in cash balances	(231,358)	(449)
Cash balances beginning of year	<u>719,092</u>	<u>2,204</u>
Cash balances end of year	<u>\$ 487,734</u>	<u>\$ 1,755</u>

(continued next page)

Exhibit B

<u>Capital Projects Capital Reserves</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 290,875	\$ 911,372
--	240	240
--	218,986	238,469
--	--	19,993
6,377	3,848	34,758
--	275,520	730,294
--	--	340,821
--	75,047	151,271
<u>6,377</u>	<u>864,516</u>	<u>2,427,218</u>
--	42,233	826,533
--	296,605	567,921
--	--	1,771
--	24,785	288,261
--	4,450	532,168
--	741	167,560
--	--	1,232,405
--	58,682	58,682
<u>--</u>	<u>427,496</u>	<u>3,675,301</u>
6,377	437,020	(1,248,083)
--	--	975,000
--	10,000	10,000
--	53,913	558,729
<u>--</u>	<u>(544,816)</u>	<u>(564,959)</u>
<u>--</u>	<u>(480,903)</u>	<u>978,770</u>
6,377	(43,883)	(269,313)
<u>1,668,308</u>	<u>683,850</u>	<u>3,073,454</u>
<u>\$ 1,674,685</u>	<u>\$ 639,967</u>	<u>\$ 2,804,141</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES - Continued
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2013

	<u>General</u>	<u>Debt Service</u>
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$ --	\$ --
Restricted for:		
Debt service	--	1,755
Employee benefits	--	--
Capital projects	--	--
Other purposes	--	--
Unassigned	<u>487,734</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 487,734</u>	<u>\$ 1,755</u>

The accompanying notes are an integral part of these statements.

Exhibit B

<u>Capital Projects Capital Reserves</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 57,179	\$ 57,179
--	--	1,755
--	17,005	17,005
1,674,685	176,195	1,850,880
--	389,588	389,588
<u>--</u>	<u>--</u>	<u>487,734</u>
<u>\$ 1,674,685</u>	<u>\$ 639,967</u>	<u>\$ 2,804,141</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2013

	Enterprise	
	Water Fund	Sewer Fund
Operating Receipts:		
Charges for service	\$ 257,731	\$ 281,889
Total operating receipts	<u>257,731</u>	<u>281,889</u>
Operating Disbursements:		
Business type activities	<u>297,499</u>	<u>244,483</u>
Total operating disbursements	<u>297,499</u>	<u>244,483</u>
Excess (deficiency) of receipts over (under) disbursements	(39,768)	37,406
Non-operating receipts (disbursements):		
Interest on investments	1,302	1,156
Miscellaneous	28,255	1,272
Debt service	--	--
Capital projects	<u>--</u>	<u>--</u>
Total non-operating receipts (disbursements), net	<u>29,557</u>	<u>2,428</u>
Excess (deficiency) of receipts over (under) disbursements	(10,211)	39,834
Operating transfers in	3,205	3,025
Operating transfers out	(12,939)	(48,351)
Total operating transfers in (out), net	<u>(9,734)</u>	<u>(45,326)</u>
Net change in cash balances	(19,945)	(5,492)
Cash balances beginning of year	<u>256,716</u>	<u>31,568</u>
Cash balances end of year	<u>\$ 236,771</u>	<u>\$ 26,076</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ --	\$ --
Unrestricted	<u>236,771</u>	<u>26,076</u>
Total cash basis fund balances	<u>\$ 236,771</u>	<u>\$ 26,076</u>

The accompanying notes are an integral part of these statements.

<u>Enterprise</u>	
<u>Nonmajor</u>	<u>Total</u>
\$ 183,871	\$ 723,491
183,871	723,491
--	541,982
--	541,982
183,871	181,509
--	2,458
--	29,527
(195,138)	(195,138)
(21,172)	(21,172)
(216,310)	(184,325)
(32,439)	(2,816)
61,290	67,520
--	(61,290)
61,290	6,230
28,851	3,414
211,632	499,916
\$ 240,483	\$ 503,330
\$ 58,410	\$ 58,410
182,073	444,920
\$ 240,483	\$ 503,330

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tama, Iowa is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Tama has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Tama (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported and budgeted as part of the City as a permanent fund.

The Oak Hill Cemetery Association is a nonprofit corporation established under Title 3, Chapter 5 of the City of Tama Code to beautify, adorn, and keep in good order the Oak Hill Cemetery. Although the association is legally separate from the City, it is controlled, managed, and supervised by the City of Tama, City Council. The Oak Hill Cemetery Association is reported as a permanent fund.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County E911 Service Board, Tama County Solid Waste Disposal Commission, Tama County Economic Development Commission, and Tama-Toledo Swimming Pool Board.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds or nonmajor enterprise funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Reserves is utilized to account for all resources used in the acquisition and construction of certain capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Tama maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service function.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
United States Savings Bonds Series HH	\$ 32,000	\$ 32,000

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 170,000	\$ 85,802	\$ 170,000	\$ 24,330	\$ 340,000	\$ 110,132
2015	185,000	51,804	31,000	19,230	216,000	71,034
2016	195,000	46,859	32,000	18,300	227,000	65,159
2017	210,000	41,474	33,000	17,340	243,000	58,814
2018	215,000	35,579	34,000	16,350	249,000	51,929
2019 - 2023	880,000	78,242	190,000	65,550	1,070,000	143,792
2024 - 2028	100,000	2,500	222,000	35,220	322,000	37,720
2029 - 2030	--	--	99,000	4,470	99,000	4,470
	<u>\$ 1,955,000</u>	<u>\$ 342,260</u>	<u>\$ 811,000</u>	<u>\$ 200,790</u>	<u>\$ 2,766,000</u>	<u>\$ 543,050</u>

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,784,000 in sewer revenue bonds issued in October, 1993. Proceeds from the bonds provided financing for the repair and improvement of the sewer system. The bonds are payable solely from sewer customer net receipts and are payable through 2014. Annual principal and interest payments on the bonds are expected to require less than 79 percent of the net receipts. The total principal and interest remaining to be paid on the bonds is \$144,200. For the current year, principal and interest paid and total customer net receipts were approximately \$143,250 and \$182,460, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay water revenue bonds issued in December, 2009. Proceeds from the bonds provided financing for the repair and improvement of the water system. The bonds are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the bonds are expected to require greater than 100 percent of the net receipts. The total principal and interest remaining to be paid on the bonds is \$867,590. For the current year, principal and interest paid and total customer net receipts were approximately \$50,000 and \$(951), respectively. Existing net position is used to meet debt service payments in years when the net receipts are not sufficient.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

The resolutions providing for the issuance of the revenue bonds include the following provisions.

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly deposits and transfers shall be made to separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

Defeasance of Debt

In July, 2012, the City issued \$975,000 of 2012 Series General Obligation Refunding Bonds with an average interest rate of 1.55% to advance refund \$975,000 of Series 2004A and 2004B Aquatics Center Notes with varying interest rates ranging from 3.90% to 5.00%. The proceeds from the bonds were deposited with an escrow agent to provide for future debt service payments on the 2004A and 2004B Aquatics Center Notes due after June 1, 2014. As a result, the 2004A and 2004B Aquatics Center Notes due after June 1, 2014 are considered to be defeased. The City completed the advance refunding to reduce its total debt service payments over the next six years by approximately \$103,000 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of approximately \$90,000.

NOTE 4 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% (5.95% effective July 1, 2013) of their annual covered salary and the City is required to contribute 8.67% (8.93% effective July 1, 2013) of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were approximately \$66,600, \$63,100, and \$46,100, respectively, equal to the required contribution for each year.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 - PENSION AND RETIREMENT BENEFITS - Continued

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. The City's accounting and personnel departments are responsible for the accounting, reconciliations and record keeping associated with employees' enrollment, payments to the plan through payroll deductions, and timely transfer of withheld funds to the independent contractor for investment. The plan is designed so that each participant retains investment control of his/her individual account. The employees become eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency.

The City's fiduciary responsibility is limited to due care in selecting contractors to administer the Plan. These contractors are responsible for withholdings and W-2s when the participants receive payments. The contractors are also required to submit an annual report to the City. The City is liable to a participant only for income lost because of its failure to send payment of a deferred amount as directed by the participant. The Plan assets are not included in the financial statements since the City does not own or hold in a trustee capacity the amounts deferred by employees and related income on those amounts.

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate vacation and sick leave hours based on the length of their employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 90 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2013, primarily related to the General Fund, totaled \$29,037. This liability has been computed based on rates of pay in effect at June 30, 2013.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 54,000
	Employee Benefits	290,504
	Capital Projects:	
	Capital Projects	39,600
	TIF	1,944
		<u>386,048</u>
Special Revenue:	General Fund:	
Trust & Agency	General	5,000
Capital Projects:	Capital Projects:	
Capital Projects	Community Development	40,000
	General Fund	7,219
		<u>47,219</u>
Capital Projects:	Debt Service	
New Pool		1,694
Debt Service	Special Revenue:	
	Local Option Sales Tax	118,768
Enterprise Fund:	Enterprise Fund:	
Water Revenue Bond	Water Fund	12,939
Enterprise Fund:	Enterprise Fund:	
Sewer Revenue Bond	Sewer Fund	35,847
Enterprise Fund:	Enterprise Fund:	
Sewer Rehabilitation	Sewer Fund	6,252
Enterprise Fund:	Enterprise Fund:	
Sewer Replacement	Sewer Fund	6,252
Enterprise Fund:	General	
Sewer		3,025
Enterprise Fund:	General	
Water		<u>3,205</u>
		<u>\$ 626,249</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There has been no reduction in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2013 were approximately \$16,790.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013 settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 - RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, and property coverage and automobile liability in the amount of \$500,000, \$9,776,000, and \$1,000,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical benefits for employees and retirees. There are 14 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefits as active employees.

Funding Policy: The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$497 for single coverage and \$1,285 for family coverage. The City pays the entire amount of the premium. For the year ended June 30, 2013, the City contributed \$196,465 to the plan.

NOTE 9 - COMMITMENTS AND CONTINGENCY

Construction Contracts

The City has entered into agreements for the construction of a police shed with an estimated cost of \$39,900, of which \$14,800 has been paid as of June 30, 2013. The projects will be financed with the use of existing funds.

Subsequent Events

The City has evaluated all subsequent events through December 18, 2013, the date the financial statements were available to be issued.

* * *

OTHER INFORMATION

CITY OF TAMA, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETRY FUNDS
OTHER INFORMATION

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 911,372	\$ --	\$ 911,372
Tax increment financing	240	--	240
Other city tax	238,469	--	238,469
Licenses and permits	19,993	--	19,993
Use of money and property	34,758	2,458	37,216
Intergovernmental	730,294	--	730,294
Charges for service	340,821	723,491	1,064,312
Miscellaneous	151,271	29,527	180,798
Total receipts	<u>2,427,218</u>	<u>755,476</u>	<u>3,182,694</u>
Disbursements:			
Public safety	826,533	--	826,533
Public works	567,921	--	567,921
Health and social services	1,771	--	1,771
Culture and recreation	288,261	--	288,261
Community and economic development	532,168	--	532,168
General government	167,560	--	167,560
Debt service	1,232,405	--	1,232,405
Capital projects	58,682	--	58,682
Business type activities	--	758,292	758,292
Total disbursements	<u>3,675,301</u>	<u>758,292</u>	<u>4,433,593</u>
Excess (deficiency) of receipts over (under) disbursements	(1,248,083)	(2,816)	(1,250,899)
Other financing sources (uses), net	<u>978,770</u>	<u>6,230</u>	<u>985,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(269,313)	3,414	(265,899)
Balances beginning of year	<u>3,073,454</u>	<u>499,916</u>	<u>3,573,370</u>
Balances end of year	<u>\$ 2,804,141</u>	<u>\$ 503,330</u>	<u>\$ 3,307,471</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total Variance
Original	Final	
\$ 913,336	\$ 913,336	\$ (1,964)
--	241	(1)
192,673	192,673	45,796
20,750	20,750	(757)
102,400	102,400	(65,184)
388,357	894,182	(163,888)
1,116,104	1,116,104	(51,792)
35,980	54,004	126,794
<u>2,769,600</u>	<u>3,293,690</u>	<u>(110,996)</u>
823,104	911,604	85,071
513,580	603,080	35,159
12,500	12,500	10,729
311,998	335,898	47,637
64,000	593,000	60,832
162,367	179,367	11,807
259,099	259,099	(973,306)
234,147	261,678	202,996
728,402	813,802	55,510
<u>3,109,197</u>	<u>3,970,028</u>	<u>(463,565)</u>
(339,597)	(676,338)	(574,561)
<u>--</u>	<u>19,900</u>	<u>965,100</u>
(339,597)	(656,438)	390,539
<u>3,379,647</u>	<u>3,574,072</u>	<u>(702)</u>
<u>\$ 3,040,050</u>	<u>\$ 2,917,634</u>	<u>\$ 389,837</u>

CITY OF TAMA, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, the Permanent Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$860,831. The budget amendments are reflected in the final budgeted amount.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service function.

SUPPLEMENTARY INFORMATION

CITY OF TAMA, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2013

	Special Revenue			
	Local Option Sales Tax	Trust & Agency	Tax Increment Financing	Road Use Tax
Receipts:				
Property tax	\$ --	\$ --	\$ --	\$ --
Tax increment financing	--	--	240	--
Other city tax	209,815	--	--	--
Use of money and property	--	719	--	--
Intergovernmental	--	--	--	275,520
Miscellaneous	--	52,290	--	--
Total receipts	<u>209,815</u>	<u>53,009</u>	<u>240</u>	<u>275,520</u>
Disbursements:				
Operating:				
Public safety	--	39,233	--	--
Public works	--	--	--	290,936
Culture and recreation	--	22,510	--	--
Community and economic development	--	4,450	--	--
General government	--	741	--	--
Capital projects	--	--	--	--
Total disbursements	<u>--</u>	<u>66,934</u>	<u>--</u>	<u>290,936</u>
Excess (deficiency) of receipts over (under) disbursements	209,815	(13,925)	240	(15,416)
Other financing sources (uses):				
Sale of real property	--	--	--	--
Operating transfers in	--	5,000	--	--
Operating transfers out	(172,768)	--	(1,944)	--
Total other financing sources (uses)	<u>(172,768)</u>	<u>5,000</u>	<u>(1,944)</u>	<u>--</u>
Net change in cash balances	37,047	(8,925)	(1,704)	(15,416)
Cash balances, beginning of year	<u>--</u>	<u>189,858</u>	<u>1,704</u>	<u>187,024</u>
Cash balances, end of year	<u>\$ 37,047</u>	<u>\$ 180,933</u>	<u>\$ --</u>	<u>\$ 171,608</u>

(continued next page)

Special Revenue	Capital Projects				Permanent Cemetery Perpetual Care	Total
Employee Benefits	Capital Projects	Community Development	New Pool	Water		
\$ 290,875	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 290,875
--	--	--	--	--	--	240
9,171	--	--	--	--	--	218,986
535	1,016	--	838	--	740	3,848
--	--	--	--	--	--	275,520
--	321	21,786	--	--	650	75,047
<u>300,581</u>	<u>1,337</u>	<u>21,786</u>	<u>838</u>	<u>--</u>	<u>1,390</u>	<u>864,516</u>
3,000	--	--	--	--	--	42,233
5,669	--	--	--	--	--	296,605
1,500	--	--	--	--	775	24,785
--	--	--	--	--	--	4,450
--	--	--	--	--	--	741
--	43,454	7,598	--	7,630	--	58,682
<u>10,169</u>	<u>43,454</u>	<u>7,598</u>	<u>--</u>	<u>7,630</u>	<u>775</u>	<u>427,496</u>
290,412	(42,117)	14,188	838	(7,630)	615	437,020
--	--	10,000	--	--	--	10,000
--	47,219	--	1,694	--	--	53,913
<u>(290,504)</u>	<u>(39,600)</u>	<u>(40,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(544,816)</u>
<u>(290,504)</u>	<u>7,619</u>	<u>(30,000)</u>	<u>1,694</u>	<u>--</u>	<u>--</u>	<u>(480,903)</u>
(92)	(34,498)	(15,812)	2,532	(7,630)	615	(43,883)
<u>17,097</u>	<u>58,171</u>	<u>49,904</u>	<u>115,898</u>	<u>7,630</u>	<u>56,564</u>	<u>683,850</u>
<u>\$ 17,005</u>	<u>\$ 23,673</u>	<u>\$ 34,092</u>	<u>\$ 118,430</u>	<u>\$ --</u>	<u>\$ 57,179</u>	<u>\$ 639,967</u>

CITY OF TAMA, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2013

	Special Revenue			
	Local Option Sales Tax	Trust & Agency	Tax Increment Financing	Road Use Tax
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Capital projects	--	--	--	--
Employee benefits	--	--	--	--
Other purposes	<u>37,047</u>	<u>180,933</u>	<u>--</u>	<u>171,608</u>
Total cash basis fund balances	<u>\$ 37,047</u>	<u>\$ 180,933</u>	<u>\$ --</u>	<u>\$ 171,608</u>

See accompanying independent auditor's report.

<u>Special Revenue</u>	<u>Capital Projects</u>				<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
<u>Employee Benefits</u>	<u>Capital Projects</u>	<u>Community Development</u>	<u>New Pool</u>	<u>Water</u>		
\$ --	\$ --	\$ --	\$ --	\$ --	\$ 57,179	\$ 57,179
--	23,673	34,092	118,430	--	--	176,195
17,005	--	--	--	--	--	17,005
--	--	--	--	--	--	389,588
<u>\$ 17,005</u>	<u>\$ 23,673</u>	<u>\$ 34,092</u>	<u>\$ 118,430</u>	<u>\$ --</u>	<u>\$ 57,179</u>	<u>\$ 639,967</u>

CITY OF TAMA, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
NON-MAJOR ENTERPRISE FUNDS

As of and for the year ended June 30, 2013

	<u>Water Revenue Bond</u>	<u>Sewer Rehabilitation</u>
Receipts:		
Charges for service	\$ 38,817	\$ 18,757
Total operating receipts	<u>38,817</u>	<u>18,757</u>
Non-operating receipts (disbursements):		
Debt service	(51,750)	--
Capital projects	<u>--</u>	<u>(12,083)</u>
Total non-operating receipts (disbursements)	<u>(51,750)</u>	<u>(12,083)</u>
Excess (deficiency) of receipts over (under) disbursements	(12,933)	6,674
Operating transfers in	<u>12,939</u>	<u>6,252</u>
Total operating transfers in (out), net	<u>12,939</u>	<u>6,252</u>
Net change in cash balances	6	12,926
Cash balance beginning of year	<u>42,069</u>	<u>30,897</u>
Cash balance end of year	<u>\$ 42,075</u>	<u>\$ 43,823</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ 42,075	\$ --
Unrestricted	<u>--</u>	<u>43,823</u>
Total cash basis fund balances	<u>\$ 42,075</u>	<u>\$ 43,823</u>

See accompanying independent auditor's report.

<u>Sewer Revenue Bond</u>	<u>Sewer Replacement</u>	<u>Total</u>
\$ 107,541	\$ 18,756	\$ 183,871
107,541	18,756	183,871
(143,388)	--	(195,138)
--	(9,089)	(21,172)
<u>(143,388)</u>	<u>(9,089)</u>	<u>(216,310)</u>
(35,847)	9,667	(32,439)
35,847	6,252	61,290
<u>35,847</u>	<u>6,252</u>	<u>61,290</u>
--	15,919	28,851
16,335	122,331	211,632
<u>16,335</u>	<u>122,331</u>	<u>211,632</u>
\$ 16,335	\$ 138,250	\$ 240,483
\$ 16,335	\$ --	\$ 58,410
--	138,250	182,073
<u>16,335</u>	<u>138,250</u>	<u>240,483</u>
\$ 16,335	\$ 138,250	\$ 240,483

CITY OF TAMA, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2013

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Corporate Purpose Bonds Series 2006	August 1, 2006	4.00% - 4.63%	\$ 1,500,000
Aquatics Center Notes Series 2004A	August 1, 2004	2.25% - 4.75%	1,165,000
Aquatics Center Notes Series 2004B	August 1, 2004	2.75% - 5.00%	300,000
Refunding Bond Series 2012	July 1, 2012	0.70% - 2.50%	975,000
Total			
Revenue Bonds:			
State revolving fund loans:			
Sewer	October 1, 1993	3.00%	1,784,000
Water	December 9, 2009	3.00%	836,000
Total			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 1,005,000	\$ --	\$ 95,000	\$ 910,000	\$ 44,831	\$ 3,736
840,000	--	785,000	55,000	57,387	2,946
220,000	--	205,000	15,000	15,453	805
<u>--</u>	<u>975,000</u>	<u>--</u>	<u>975,000</u>	<u>--</u>	<u>--</u>
<u>\$ 2,065,000</u>	<u>\$ 975,000</u>	<u>\$1,085,000</u>	<u>\$ 1,955,000</u>	<u>\$ 117,671</u>	<u>\$ 7,487</u>
\$ 275,000	\$ --	\$ 135,000	\$ 140,000	\$ 8,250	\$ 350
<u>700,000</u>	<u>--</u>	<u>29,000</u>	<u>671,000</u>	<u>21,000</u>	<u>1,678</u>
<u>\$ 975,000</u>	<u>\$ --</u>	<u>\$ 164,000</u>	<u>\$ 811,000</u>	<u>\$ 29,250</u>	<u>\$ 2,028</u>

CITY OF TAMA, IOWA
BOND AND NOTE MATURITIES
June 30, 2013

Year ending June 30,	General Obligation Bonds and Notes					
	Aquatic Center Series 2004A		Aquatic Center Series 2004B		Corporate Purpose Bond Series 2006	
	Issued August 1, 2004		Issued August 1, 2004		Issued August 1, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2014	4.00%	\$ 55,000	4.20%	\$ 15,000	4.30%	\$ 100,000
2015					4.35	100,000
2016					4.40	105,000
2017					4.45	110,000
2018					4.50	115,000
2019					4.55	120,000
2020					4.60	125,000
2021					4.63	135,000
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
		<u>\$ 55,000</u>		<u>\$ 15,000</u>		<u>\$ 910,000</u>

See accompanying independent auditor's report.

CITY OF TAMA, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts:				
Property tax	\$ 911,372	\$ 851,460	\$ 810,706	\$ 796,693
Tax increment financing	240	9,800	--	280
Other city tax	238,469	178,776	192,340	191,856
Licenses and permits	19,993	21,399	22,470	21,432
Use of money and property	34,758	40,330	76,727	98,575
Intergovernmental	730,294	393,496	747,994	436,193
Charges for service	340,821	343,635	278,591	305,211
Miscellaneous	<u>151,271</u>	<u>135,543</u>	<u>150,832</u>	<u>126,244</u>
Total	<u>\$ 2,427,218</u>	<u>\$ 1,974,439</u>	<u>\$ 2,279,660</u>	<u>\$ 1,976,484</u>
Disbursements:				
Operating:				
Public safety	\$ 826,533	\$ 710,605	\$ 661,424	\$ 662,443
Public works	567,921	557,856	446,472	462,054
Health and social services	1,771	5,155	8,013	5,918
Culture and recreation	288,261	285,554	233,054	231,711
Community and economic development	532,168	57,421	34,246	13,952
General government	167,560	156,333	149,633	145,019
Debt service	1,232,405	255,354	256,101	256,496
Capital projects	<u>58,682</u>	<u>475,411</u>	<u>222,939</u>	<u>258,189</u>
Total	<u>\$ 3,675,301</u>	<u>\$ 2,503,689</u>	<u>\$ 2,011,882</u>	<u>\$ 2,035,782</u>

See accompanying independent auditor's report.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 801,098	\$ 712,597	\$ 702,341	\$ 700,983	\$ 641,617	\$ 669,969
14,346	146,711	45,112	584	30,210	14,471
190,769	188,009	188,492	163,440	157,064	133,376
23,201	22,074	19,356	18,908	19,794	19,788
115,714	133,115	133,508	101,270	118,227	106,243
365,229	320,417	304,191	328,713	364,766	271,417
275,908	216,762	220,532	205,672	223,582	184,486
<u>138,064</u>	<u>130,476</u>	<u>105,671</u>	<u>111,858</u>	<u>246,191</u>	<u>229,661</u>
<u>\$ 1,924,329</u>	<u>\$ 1,870,161</u>	<u>\$ 1,719,203</u>	<u>\$ 1,631,428</u>	<u>\$ 1,801,451</u>	<u>\$ 1,629,411</u>
\$ 619,137	\$ 652,322	\$ 591,352	\$ 621,918	\$ 593,193	\$ 501,974
493,610	393,019	380,275	407,346	386,834	530,715
5,902	5,148	5,308	3,439	4,089	4,814
222,852	212,392	198,534	195,941	169,609	176,179
19,618	22,295	26,434	24,990	22,277	22,028
142,122	137,601	130,406	130,434	127,852	124,930
251,516	256,386	244,857	249,958	186,362	178,885
<u>219,250</u>	<u>257,080</u>	<u>940,624</u>	<u>469,942</u>	<u>1,460,820</u>	<u>798,672</u>
<u>\$ 1,974,007</u>	<u>\$ 1,936,243</u>	<u>\$ 2,517,790</u>	<u>\$ 2,103,968</u>	<u>\$ 2,951,036</u>	<u>\$ 2,338,197</u>

CITY OF TAMA, IOWA
 SCHEDULE OF SEWER SERVICE CHARGES
 Year ended June 30, 2013

	<u>Category A</u>	<u>Category B</u>
Criteria:	Users who discharge normal domestic strength wastewater	Users who discharge concentration levels greater than Category A users
Allowable concentration levels:	BOD* no greater than 300 mg/l Suspended solids no greater than 350 mg/l Ammonia nitrogen no greater than 40 mg/l	
Fixed monthly charge:	\$10.40	\$10.40
Volume charge:	\$4.81/1,000 gallons	\$4.81/1,000 gallons
Surcharge for concentration levels exceeding Category A:		BOD* \$0.32/lb suspended solids \$0.17/lb ammonia nitrogen \$1.16/lb

* Biochemical oxygen demand

See accompanying independent auditor's report.

CITY OF TAMA, IOWA
SCHEDULE OF INSURANCE IN FORCE
Year ended June 30, 2013

<u>Insurer</u>	<u>Policy Number</u>	<u>Type of Coverage</u>
Liberty Mutual	WC5-34S-532231-013	Workers' Compensation Employer's Liability
Continental Western Group	PEP 2979305-22 PEP 2979305-22 PEP 2979305-22	Commercial property Auto Commercial Inland Marine and scheduled property
Iowa Communities Assurance Pool	0019	General Liability/ Officials Liability Law Enforcement Liability Fidelity bond

See accompanying independent auditor's report.

<u>Policy Period</u>	<u>Exposure Coverage</u>	<u>Amount of Coverage</u>
4/1/13 to 4/1/14	Worker's Compensation All Employees	Statutory \$500,000/Accident \$500,000/Employee \$500,000/Policy Limit
4/1/13 to 4/1/14	Property Damage	\$9,776,000 Policy Limit
4/1/13 to 4/1/14	Auto Liability	\$1,000,000 Liability
4/1/13 to 4/1/14	Non Real Estate Property	\$625,826/Occurrence
4/1/13 to 4/1/14	General Liability	\$2,000,000
	Officials Liability	\$2,000,000
	Law Enforcement Liability	\$2,000,000
1/1/13 to 1/1/14	Employee Performance	\$50,000

CITY OF TAMA, IOWA
SCHEDULE OF LEGAL DEBT MARGIN
June 30, 2013

Valuation of City as of January 1, 2011	\$ 91,817,203
Legal debt limitation percentage	<u>5%</u>
Legal debt limitation	4,590,860
General obligation indebtedness outstanding as of June 30, 2013	<u>1,955,000</u>
Legal Debt Margin	<u><u>\$ 2,635,860</u></u>

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Tama's internal control over financial reporting to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tama's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

To the Honorable Mayor and
Members of the City Council

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 13-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Response to Findings

The City of Tama's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Tama's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Garnett, Ben, Kuhn & Co. P.C.

Atlantic, Iowa
December 18, 2013

CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2013

PART I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

13-I-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

* * *

CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2013

PART II: Other Findings Related to Statutory Reporting

- 13-II-A Certified Budget: Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation: The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: The budget will be amended in the future, if applicable.

Conclusion: Response accepted.

- 13-II-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- 13-II-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

- 13-II-D Business Transactions: In accordance with Chapter 362.5(3) of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.

- 13-II-E Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- 13-II-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

- 13-II-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.

CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2013

PART II: Other Findings Related to Statutory Reporting - Continued

- 13-II-H Revenue Bonds: No instances of non-compliance with revenue bond and note resolutions were noted, except the City has not prepared its financial statements using the accrual method of accounting, including a balance sheet, as of June 30, 2012 as required by one of its revenue bonds. This requirement is contrary to the City's normal cash basis method of reporting.

Recommendation: The City should obtain a waiver from this provision.

Response: The City will try to obtain a waiver from this provision.

Conclusion: Response accepted.

- 13-II-I Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

* * *